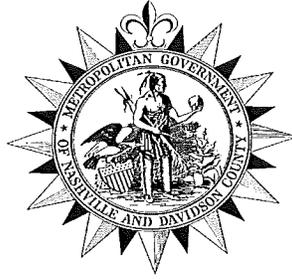


BRACKNEY REED
METROPOLITAN NASHVILLE
AUDIT COMMITTEE CHAIRMAN



OFFICE OF INTERNAL AUDIT
404 JAMES ROBERTSON PARKWAY, SUITE 190
NASHVILLE, TENNESSEE 37219
615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 13, 2018

Members of the Metropolitan Nashville Council
Metropolitan Government of Nashville and Davidson County
Metro Courthouse
Nashville, Tennessee 37201

Annual Report to Council

The Metropolitan Nashville Audit Committee is presenting its annual report to the Metropolitan Council highlighting some of the audit work completed between February 2017 and January 2018 as well the implementation status of previously completed internal audit projects.

For this period, the Metropolitan Nashville Audit Committee was comprised of Vice Mayor David Briley, Council Members John Cooper, and Bob Mendes, Metropolitan Nashville Government Director of Finance Talia Lomax-O'dneal, Brackney Reed, who represents the Chamber of Commerce and Charles Frasier, who represents the Nashville Chapter of the Tennessee Society of CPAs.

In April 2017, one of the highlights for the year was the legislation passed by the Metropolitan Nashville Council that clarifies the Metropolitan Nashville Office of Internal Audit's access to records and personnel, defines the scope of services, and establishes authority for the Office to investigate fraud, waste, and abuse hotline matters.

Please feel free to contact any Metropolitan Nashville Audit Committee member about the contents of this report or about any audit matter.

Crosslin PLLC External Audit

The Metropolitan Nashville Audit Committee reviewed and accepted the Metropolitan Government of Nashville and Davidson County Comprehensive Annual Financial Report for the year ended June 30, 2017, without any exceptions noted.

Office of Internal Audit Projects Completed

The Office of Internal Audit issued 16 audit reports providing 160 recommendations for improving Metropolitan Nashville Government processes during this period. A summary of the audit reports begins on page seven of the enclosed report. All of these reports, along with other reports issued in previous years, can be found at the Office of Internal Audit's website at <http://www.nashville.gov/internal-audit>.

Office of Internal Audit Accomplishments

- Conducted 16 audits that included 160 recommendations for improvement were identified with a 99 percent acceptance rate.
- Accommodated Metropolitan Nashville Council and management requests pertaining to:
 - Autumn Hills Assisted Living Contracts
 - Assessor of Property
 - Metro Water Services Payroll Process
 - Short Term Rental Permitting Process
 - General Sessions Treatment Court Fiscal Matters and Case Management
 - Human Relations Commission
 - Health Department Finance and Administration Bureau
 - Hotel Occupancy Tax
- Selected 6 hotels representing \$2.0 million in hotel occupancy taxes for audit. Determined from revenue and room night data that over \$17 thousand had been underpaid and was referred to the Metropolitan Treasurer for collection.
- Completed 4 requests for investigation of fraud, waste, and abuse issues.
- Processed 5 duplicate payment reports on behalf of the Metropolitan Nashville Government Department of Finance.

Summary of Office of Internal Audit Recommendations Implementation Status Audits Issued Between April 2007 and January 2018

Audit entities were asked to provide implementation status for accepted audit recommendations for 160 reports issued since March 2007. Out of the 1,364 accepted recommendations, 1,140 (84 percent) were reported as implemented.

I hope you find this report informative and that you will contact us with any questions or issues related to external or internal audit efforts within the Metropolitan Nashville Government.

Sincerely,



Brackney Reed

Enclosure

cc: Mayor Megan Barry
Members of Metropolitan Nashville Audit Committee
Mark Swann, Metropolitan Auditor

METROPOLITAN NASHVILLE OFFICE OF INTERNAL AUDIT



INTERNAL AUDIT PERFORMANCE REPORT
February 1, 2017, through January 31, 2018



Report to Metropolitan Nashville Audit Committee

February 13, 2018

Members of the Metropolitan Nashville Audit Committee
Metropolitan Government of Nashville and Davidson County
Metro Courthouse
Nashville, TN 37201

Members of the Metropolitan Nashville Audit Committee:

The Metropolitan Nashville Office of Internal Audit is pleased to present its performance report highlighting accomplishments and audit work completed between February 1, 2017, and January 31, 2018. During this period the Office finished 16 performance audits, 6 hotel tax audits, and 4 investigations.

In April 2017, one of the highlights for the year was the legislation passed by the Metropolitan Nashville Council that clarifies the Metropolitan Nashville Office of Internal Audit 's access to records and personnel, defines the scope of services, and establishes authority for the Office to investigate fraud, waste, and abuse hotline matters.

Since the Office reconstituted as an independent agency in 2007, over 1,540 audit recommendations have been reported to improve the Metropolitan Nashville Government. This past year 99 percent of the 160 recommendations to improve government services were accepted by management with implementation plans. Also, the Office accommodated nine requests for audit services from Metropolitan Nashville Government management and the Metropolitan Nashville Council.

The content of these reports are at www.nashville.gov/internal_audit. A summary of the audit projects completed starts on page 7. Please note the breadth of audit coverage accomplished over the past five years as shown on page 15. It is my hope that you find this report to be a valuable resource and will contact us with any questions or concerns related to the Metropolitan Nashville Office of Internal Audit.

I appreciate the Metropolitan Nashville Audit Committee's strong, continued support of the internal audit function.

Sincerely,

Mark S. Swann

Mark S. Swann
Metropolitan Auditor

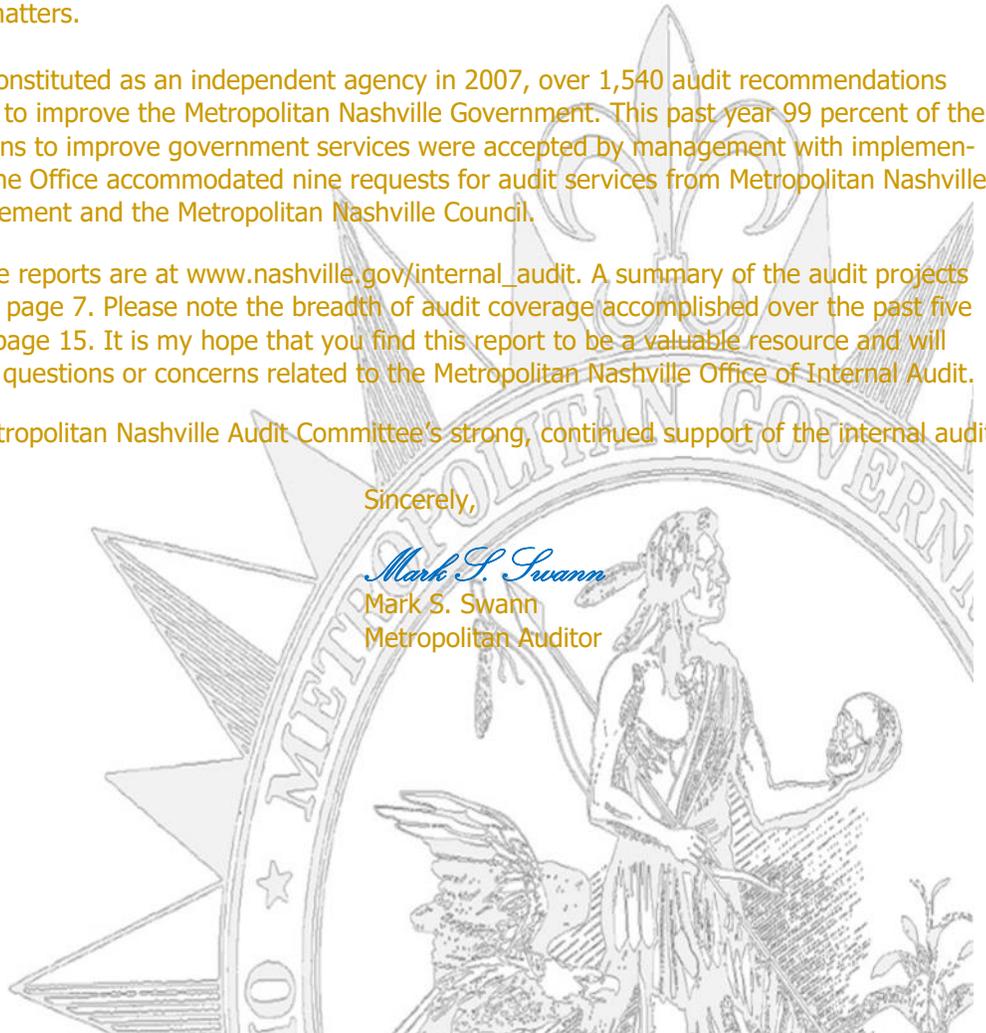




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Our Mission

The Office of Internal Audit is an independent appraisal agency established to ensure and enhance the integrity, equality, accountability, effectiveness, and efficiency of service activities and to pursue an atmosphere of honesty and mutual trust within the Metropolitan Nashville Government.



Our Accomplishments

- Conducted 16 audits where 160 recommendations were identified with a 99 percent acceptance rate.
- Selected 6 hotels for hotel occupancy tax audits. Determined from revenue and room night occupancy that over \$17 thousand had been underpaid and was referred to the Metropolitan Treasurer for collection.
- Completed 4 requests for investigation of fraud, waste, and abuse matters.
- Processed 5 duplicate payment reports on behalf of the Metropolitan Nashville Government Department of Finance.
- Accommodated 9 Metropolitan Nashville Council and management requests pertaining to:
 - ◆ Autumn Assisted Living Partners Inc. and Vision Real Estate Investment Corp. Contracts
 - ◆ General Sessions Treatment Court Fiscal Matters
 - ◆ Hotel Occupancy Tax
 - ◆ General Sessions Treatment Court Case Management
 - ◆ Human Relations Commission
 - ◆ Assessor of Property
 - ◆ Health Department Finance and Administration Bureau
 - ◆ Metro Water Services Payroll Process
 - ◆ Short Term Rental Permitting Process

Reporting Structure





Metropolitan Nashville Audit Committee Members

Representing	2017– 2019
Vice Mayor	David Briley
Council Representative	John Cooper
Council Representative	Bob Mendes
Director of Finance	Talia Lomax-O'dneal
Nashville Chapter of the Tennessee Society of CPAs	Charles Frasier
Nashville Area Chamber of Commerce	Brackney Reed

Metropolitan Nashville Audit Committee

The Office of Internal Audit reports directly to the Metropolitan Nashville Audit Committee. This reporting structure fully complies with independence standards required by the American Institute of Certified Public Accountants, the Institute of Internal Auditors, and United States Government Accountability Office.

The Office of Internal Audit strives to meet the Committee’s expectations for integrity, objectivity, and independence by applying professional auditing standards to all engagements. This office is committed to functioning professionally and efficiently in all business matters.

The Metropolitan Auditor meets with the Metropolitan Nashville Audit Committee quarterly to discuss audit reports released during the previous quarter. The Committee also approves the annual internal audit work plan and reviews the Metropolitan Nashville Government annual financial reports with the external auditors.

Meeting agendas and minutes are posted on the Metropolitan Nashville Audit Committee’s website at: www.nashville.gov/Government/Boards-and-Commissions.aspx



Internal Audit Staff



Mark Swann, CPA, CIA, CISA, ACDA, CMFO
Metropolitan Auditor
Abilene Christian University,
BBA-Accounting



James Carson, CIA, CFE
Senior Auditor
University of Tennessee, BS Finance;
Louisiana Tech at Ruston, MBA



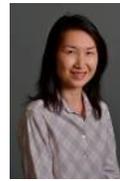
Bill Walker, CPA, CIA
Principal Auditor
Middle Tennessee State University,
BS-Public Administration



Innocent Dargbey, CPA, CMFO
Senior Auditor
Higher Institute of Economics, BS Finance & MS Finance; University of Oklahoma, MBA



Qian Yuan, CISA, CIA, ACDA, CMFO
Principal Auditor
Western Kentucky University, BS-Accounting and MS-Computer Science



Nan Wen, CPA
Internal Auditor II
Hefei Economy & Technology Institute, BS-Accounting; University of Sydney, MS-Accounting; Saint Joseph's University, MS-Computer Science



Seth Hatfield, CPA, CIA, CFE
Senior Auditor
Lipscomb University, BS-Accounting; Middle Tennessee State University, MAcc



Laura Henry, CFE
Internal Auditor II
St. Ambrose University, BA-Management; Roosevelt University, MS-Accounting Forensics



Mary Cole, CPA, CISA, CFE, CGFM
Senior Auditor
Western Kentucky University, BS-Accounting; Western Kentucky University, Masters Public Accountancy



Ted Ciuba
Internal Auditor I
University of Tennessee, BS Finance; University of Tennessee, MBA—Finance

Professional Credentials

CPA - Certified Public Accountant

CISA - Certified Information Systems Auditor

CIA - Certified Internal Auditor

CGFM - Certified Government Financial Manager

CFE - Certified Fraud Examiner

ACDA - ACL Certified Data Analyst

CMFO - Certified Municipal Finance Officer



Summary of Performance Audit Projects



**Park Police Audit Report
(02/24/2017)**

Why Audited:

The audit was conducted due to the significant risks associated with firearms, ammunition, and other inherently dangerous items.

What We Found:

The Park Police is successfully maintaining the safety of parks, park areas, and facilities. However, there is no periodic inventory of weapons assigned to the Park Police. Roll call training is not consistently acknowledged by all personnel. Fuel usage lacked adequate monitoring. The timekeeping systems are inconsistent with each other, with tracking for two types of time-off categories being problematic.



**Human Relations Commission
(04/04/2017)**

Why Audited:

The audit was requested by the Metropolitan Director of Finance.

What We Found:

The Metro Human Relations Commission activities conform to its established mission. However, the office does not always record complete information for complaint cases, and lacks controls to ensure compliance with Metropolitan Nashville Government fiscal management policies.

**Office of Internal Audit External Quality Review
(04/06/2017)**

Why Audited:

The audit was conducted to provide assurance that the Office of Internal Audit's quality control system is functioning in accordance with professional standards, specifically *Government Auditing Standards*.

What Was Found:

In the opinion of the Association of Local Government Auditors team, the Metropolitan Nashville Office of Internal Audit's "internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during the period January 1, 2014, through December 31, 2016."





**First Tennessee Ballpark Construction
(04/24/2017)**

Why Audited:

The audit was conducted because the First Tennessee Ballpark project cost were significant and exceeded the project cost estimate.

What We Found:

The ballpark was constructed in an expedient manner. General Services Department representatives reviewed and monitored the quality and financial aspects of the project. However, the actual cost of the project exceeded the \$60 million estimate presented to the Metropolitan Nashville Council. Infrastructure and greenway related expenses, \$16.9 million, were 23 percent of the total project improvement cost.



**Assessor Of Property
(05/01/2017)**

Why Audited:

The audit was requested by the incoming Assessor of Property.

What We Found:

Overall the function is well-managed. However, leave amounts paid to separated employees exceeded what should have been paid out, according to the Assessor's timekeeping reports; fuel usage is not monitored; fixed and tracked asset listings are not maintained.

**Metropolitan Public Health Department
Finance and Administration Bureau
(05/03/2017)**

Why Audited:

The audit was requested by the Metropolitan Public Health Department.

What We Found:

Strong controls are in place for payroll and procurement functions. The Metropolitan Public Health Department should utilize technology to improve internal controls around the revenue process. Detailed policies and procedures should be developed and periodically updated and communicated to employees.





Human Resource Department Talent Acquisition Function (06/28/2017)

Why Audited:

The audit was conducted due to the critical role talent acquisition plays in the ability of the Metropolitan Nashville Government to accomplish its varying missions and objectives.

What We Found:

The mission, vision, and strategy related to the talent acquisition process are not fully developed. Information technology and social media are underutilized.



Autumn Assisted Living Partners Inc. and Vision Real Estate Investment Corp. Contracts (07/18/2017)

Why Audited:

The audit was requested by members of the Metropolitan Nashville Council after media reports highlighted concerns related to the day to day management of the former J.B. Knowles Assisted Living facility.

What We Found:

Adequate management of fiscal affairs was not present. Vendors were not paid, financial reports were not prepared, resident trust fund accounts were not maintained, and corporate and 1099 tax returns were not filed. Contract performance oversight was lacking by the Metropolitan Nashville Hospital Authority and Metropolitan Nashville Government.



Short Term Rentals Permitting Process (08/30/2017)

Why Audited:
The audit was requested by a member of the Metropolitan Nashville Council.

What We Found:
Staff were knowledgeable with the issuance/renewal requirements as outlined in the Metropolitan Nashville Code of Laws. There are multiple layers of review in the issuance of a permit. However, verification of owner occupied status, while in conformity with applicable ordinances, should be enhanced. There is no verification of a review process for permit renewals. Controls within the City Works computer system should be enhanced.

Office of Fleet Management (09/18/2017)

Why Audited:
The audit was conducted due to the important role fleet management plays in public safety and other Metropolitan Nashville Government services.

What We Found:
The Office of Fleet Management is providing satisfactory maintenance services of vehicles and equipment to support Metropolitan Nashville Government departments. However, improvement is needed in areas such as preventative maintenance, employee productivity monitoring, vehicle utilization, and automotive parts inventory control.



Government Occupational Safety Program (05/01/2017)

Why Audited:
The audit was conducted due to the critical role the Occupational Safety Program plays in ensuring every employee works in a safe and healthy work environment.

What We Found:
Those involved in the Occupational Safety Program are dedicated and have a strong desire to enhance it's effectiveness. The ability to identify and report accidents and injuries is effective and consistent.

However, the Occupational Safety Program is more reactive than proactive. Most departments are not conducting reviews to identify and monitor high-risk safety areas. There are no certification or training requirements for safety coordinators. There are no clear lines of authority, objectives, and accountability.



General Sessions Recovery Court Fiscal Management (08/18/2017)

Why Audited:

The audit was requested by the General Sessions Court presiding judge.

What We Found:

The General Sessions Recovery Court financial activities conform to its established mission. However, controls over travel and time keeping could be improved

General Sessions Recovery Court Case Management (12/18/2017)

Why Audited:

The audit was requested by the Metropolitan Nashville Audit Committee.

What We Found:

The General Sessions Recovery Court and Criminal Court Clerk’s Office have methodologies in place to identify, track, and monitor cases related to the General Sessions Recovery Court. Changes in case disposition are approved by a judge and recorded by the Criminal Court Clerk’s Office.

The General Sessions Recovery Court is in the process of developing written policies and procedures. The General Sessions Recovery Court did not have an established document retention schedule for case file information.



DCSO Information Technology Security Practices (10/31/2017)

Why Audited:

The audit was performed due to the important role information security plays in supporting the operations of the Davidson County Sheriff’s Office.

What We Found:

The Davidson County Sheriff’s Office should improve security controls for 6 high risk and 38 moderate risk security controls. Out of 223 security controls applicable to the Davidson County Sheriff’s Office information systems environment, 112 controls are in compliance, 111 controls are either partially compli-

ant or noncompliant with National Institute of Standards and Technology’s Security and Privacy Controls for Federal Information Systems and Organizations.



Metro Water Services Payroll Process (12/01/2017)

Why Audited:

The audit was conducted due to the significant role salaries and benefits play in the fiscal management of Metro Water Services.

What We Found:

Metro Water Services has controls in place over the payroll process. However, payroll practices are not consistent across sections and use of the PeopleSoft system is not cost-efficient.

Health and Educational Facilities Board (12/01/2017)

Why Audited:

The audit was conducted to determine if the Health and Educational Facilities Board exposes the Metropolitan Nashville Government to unnecessary risk or financial loss through the issuance of conduit debt.

What We Found:

No material risk exist.

Risk Guards

The Metropolitan Nashville Audit Committee, along with the Office of Internal Audit and Metropolitan Nashville Government’s external auditor, Crosslin, PLLC is constantly scanning the horizon for dangerous situations, such as breakdowns in management internal controls that may lead to financial misstatement, fraud, waste, or abuse of government resources.

Other groups helping identify emerging risks include:

- State of Tennessee Comptroller’s Audit Divisions.
- Office of Financial Accountability within the Metropolitan Nashville Finance Department.
- Metropolitan Nashville Public Schools Internal Audit.
- State of Tennessee and United States Government grant compliance reviewers.
- Contract audit service from Experis Finance, BerryDunn, and other professional service firms.



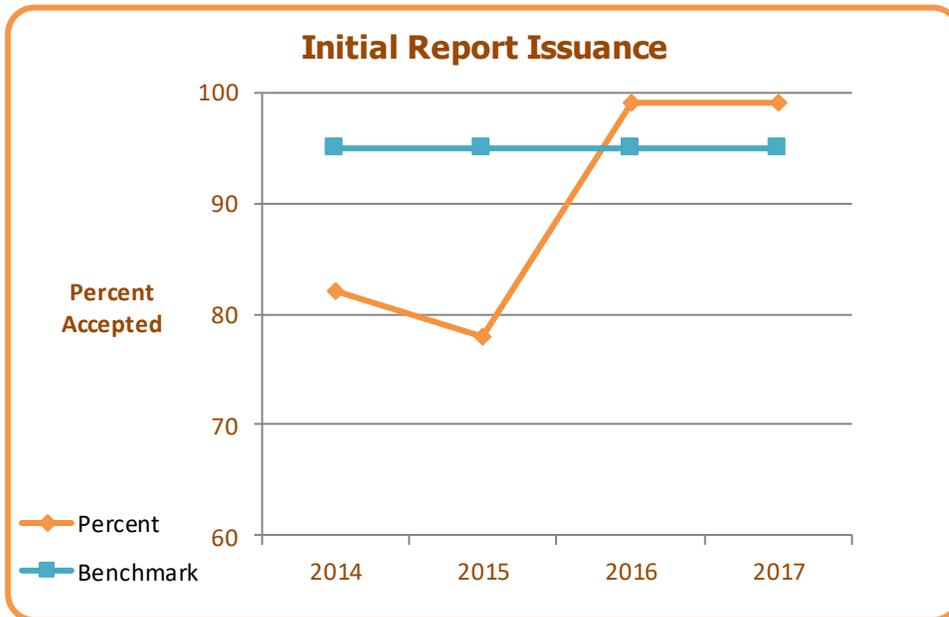
Organizational Impairments

There were no unwarranted restrictions on the staffing of the internal audit activity or on access by internal auditors to organization activities, records, property, and personnel during this period.

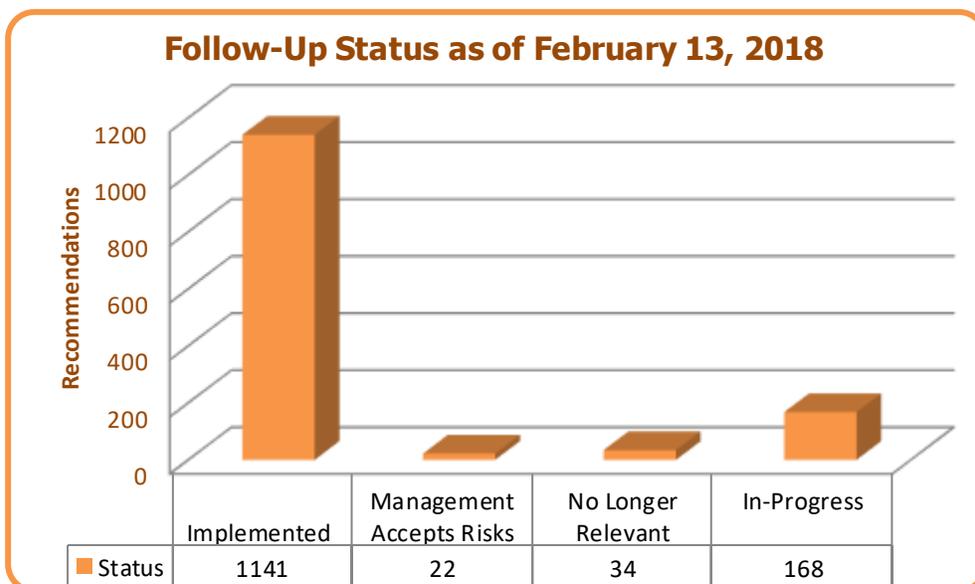


Audit Recommendations Implementation Status

The Office of Internal Audit issued 160 audit reports since being reorganized as an independent audit organization in March 2007. Internal audits in the 2017 reporting period identified 165 recommendations for improvement, with 164 (99 percent) of the recommendations being accepted when the report was issued. The Association of Local Government Auditors benchmark is a 95 percent acceptance rate.



As of February 13, 2018, departments were asked to provide implementation status for accepted audit report recommendations. Out of the 1,364 accepted recommendations, 1,141 (84 percent) were implemented and 168 recommendations were in-progress pending corrective action tasks. In-progress recommendations open in excess of one year totaled 49. Common delays were attributed to the necessity for budget funding, implementation of computer applications, or follow-up response delayed due to other management pressing priorities.





Performance Measures	Goal	:-----Plan Year-----:		
		2017	2016	2015
Percentage of Direct Time to Available Time (Excludes Metropolitan Auditor Time)	85%	83%	84%	79%
Percentage of Recommendations Accepted	90%	99%	99%	77%
Number of Audit Projects Completed	18	16	14	15
Percentage of Recommendations Implemented within 1st Follow-Up After Report Issuance	85%	85%	89%	83%
Percentage of Audit Project Milestone Dates Achieved	85%	40%	38%	n/a

**Metro Nashville Red Flag
Fraud, Waste, and Abuse Hotline**

Call 877-647-3335

or

**<https://login.redflagreporting.com/>
Use Client Code: Metro**

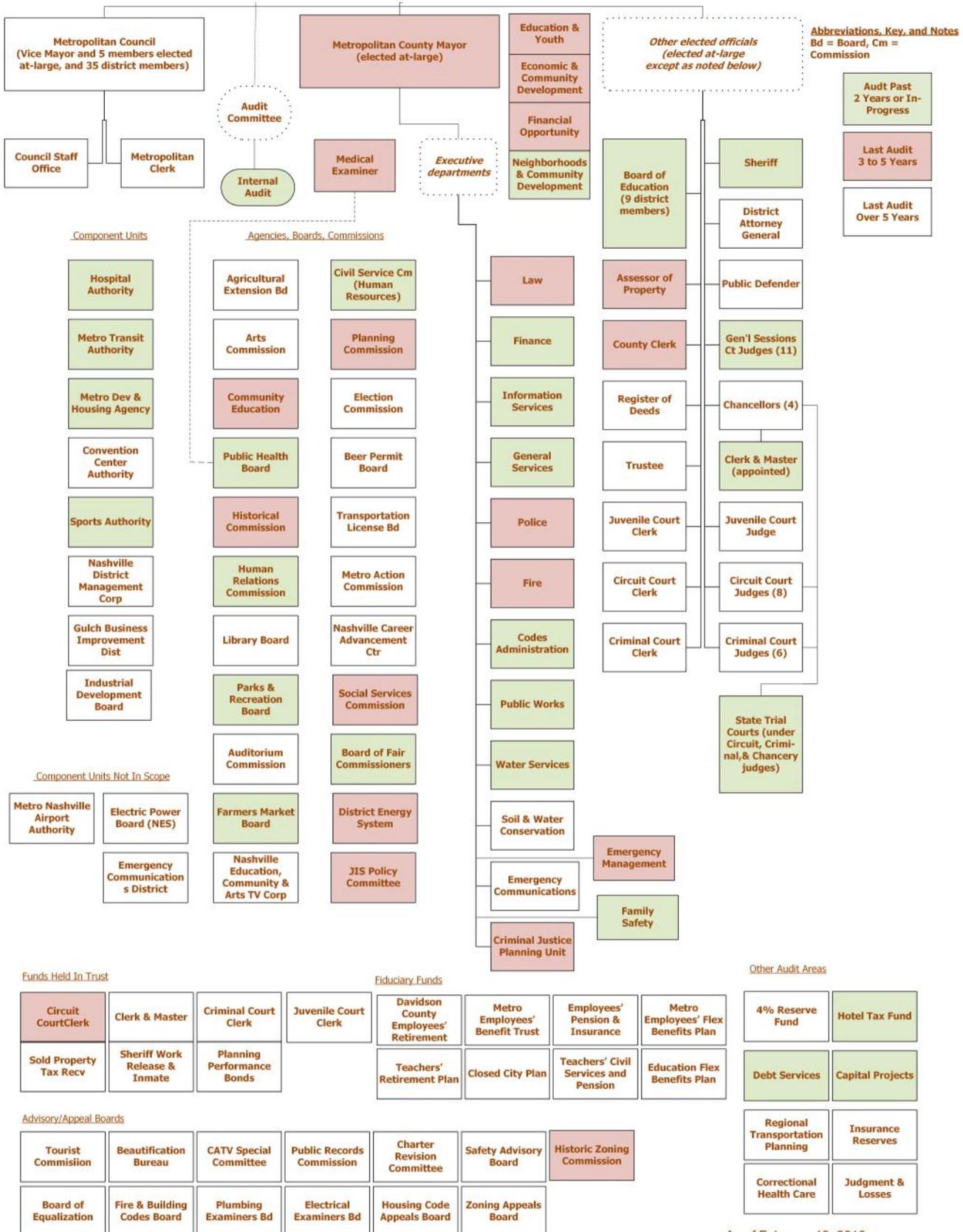


Metro Nashville Hotline Statistics

From February 1, 2017, through January 31, 2018, the Office of Internal Audit received six calls on the Metro Nashville Waste and Abuse Hotline that required further attention.



Office of Internal Audit Coverage Map



As of February 13, 2018



TRANSPARENCY

The Office of Internal Audit reports directly to the Metropolitan Nashville Audit Committee throughout the year. All final reports are available on the Office of Internal Audit's website.

WEBSITE

Visit us online: www.nashville.gov/internal_audit

ADDRESS

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PHONE

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- Pixabay.com
- Canstockphoto.com
- Internal Audit Staff Photos

NOTE

This is a performance report of the Office of Internal Audit's achievements and accomplishments and should not be considered an audit report. Generally accepted government auditing standards were not used in the preparation of this report.